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March 24, 2009

Bill Lockyer
State Treasurer
915 Capitol Mall
Sacramento, CA 95814

Mike Genest
Director, California Department of Finance
State Capitol
Sacramento, CA 95814

Re: Determination of Sufficiency of Federal Stimulus Funds

Dear Treasurer Lockyer and Director Genest:

Community Health Councils writes today to ask the Department of Finance (DOF) and the State Treasurer to maximize and take full advantage of all available federal funds through the federal Economic Recovery Package and other federal legislation as you make your final determination whether certain federal funds qualify as an offset against General Fund expenditures. We look to you for leadership in exploring all possible options and leveraging any and all federal funding to reverse the proposed \$947 Million budget cuts including the \$184 Million in reductions to Medi-Cal optional benefits and public hospital reimbursement rates by 10 percent all of which are economic drivers for our economy.

While your departments do not have the authority to adopt or restore budget reductions, it is important that the Treasurer and DOF consider carefully the policy implications of your assessment and draw down of federal dollars. Should California fail to maximize additional federal funding, the current proposed cuts will not only take away needed healthcare for thousands of residents but further undermine the healthcare safety net and the state's economy.

Although California is projected to gain about \$31 billion in federal stimulus funding, preliminary reports from DOF and the Legislative Analyst Office (LAO) indicate that only about \$8 billion would be available to offset the state General Fund. We strongly believe the State is interpreting the budget trigger language too narrowly and urge California officials to ensure the State has not left critical federal dollars on the table. We urge both departments to fully explore all options and maximize every possible federal fund in order to achieve the necessary amount to prevent the budget reductions. We believe there are many opportunities to maximize federal funds and offset General Funds, including, but not limited to:

- State Fiscal Stabilization Funds (SFSF)
- Increased FMAP Funds
- Individuals with Disabilities Education Act (IDEA)
- Children's Health Insurance Program (CHIP)
- Omnibus Spending Bill
- Competitive Grants

A decision to cut \$947 million from state public programs while we receive billions in federal assistance will also send the wrong message to Washington DC. The intent of the Economic Stimulus package was to help save jobs and put more dollars immediately into stressed economies. It was also intended to reduce pressure on state budgets so cuts to important programs could be avoided. We do not want to leave any money on the table and not fully utilize the Economic Recovery package dollars and other federal funds as they are intended by Congress. We also believe the time frame for both departments to determine the sufficiency of federal funds determination does not allow sufficient time to assess what will be available in the Economic Recovery Package, as Washington is just beginning to provide criteria and guidelines on available federal funds. We believe the departments should agree to extend the timeline in order for the state to gather additional information and conduct a thorough assessment of the various funding streams.

Community Health Councils once again urges the state to expand the analysis to include all available funding streams in an effort to avoid cutting programs that are critical during these tough economic times and fuel local economies. We understand you have a difficult decision to determine sufficiency of funds to prevent the proposed budget cuts but that decision pales in comparison to the decisions that families make every day on how to meet their basic healthcare needs. We welcome the opportunity to discuss the recommendations above and work with you to ensure California moves forward toward a healthy California. Should you require additional information or have any questions, please feel free to contact Michelle Wood, Policy Analyst, at 323.295.9372 extension 225. Thank you.

Respectfully,

Lark Galloway-Gilliam
Executive Director
Community Health Councils